Project E-400-110

ECONOMIC DEVELOPMENT TRENDS IN THE 16-STATE SOUTH

by

Ross W. Hammond

with
statistical data by
Amy Collins

Industrial Development Division
Engineering Experiment Station
GEORGIA INSTITUTE OF TECHNOLOGY
March 1972

Table of Contents

* * *

Tables

Foreword

Ross Hammond has written a particularly factual and enlightening report on the 16-state South served by the Southern Industrial Development Council. The study will add much to the "know thyself, help thyself" attitude of this geographical area.

Information in this study is both relevant and timely. Statistical facts have been prepared, analyzed, and evaluated for you. We, as readers, may study the facts or perhaps face the facts, reach conclusions of our own or borrow the author's conclusions, and set goals and priorities.

Mr. Hammond's thoughts and suggestions warrant careful consideration by all concerned with the further economic development of the South.

Wallace A. Gieringer, President
Southern Industrial Development Council

Introduction

This report looks at some of the economic development problems and opportunities of the southern region. A portion of the report was first presented at the annual conference of the Southern Industrial Development Council (SIDC) in Biloxi, Mississippi, in October 1971. The membership of SIDC is drawn from 16 states of the South, and this was the rationale for including these same 16 states in the study area.

The report is not intended to be a comprehensive analysis of the regional economy, but only to highlight certain significant trends and comparisons relating to population, employment, income, and industry.

While the facts are difficult to argue with, the conclusions drawn from the facts are not, and may be interpreted somewhat differently by each reader. The recommendations in the final chapter are wholly the author's and do not represent an official position of the Engineering Experiment Station or the Georgia Institute of Technology.

The author is indebted to Mrs. Amy Collins of the Industrial Development Division staff for assistance in compiling the facts and economic indicator data on which the chapter on "Relative Progress in the South" is based.

As always is the case with publications of the Industrial Development Division, comments from the reader are welcomed.

Ross W. Hammond, Chief
Industrial Development Division
GEORGIA INSTITUTE OF TECHNOLOGY

GLANCING BACKWARD AT THE SOUTH'S ECONOMY

During the first century of existence of the United States, manufacturing developed and was concentrated largely in the so-called "Connecticut-Chicago Axis." This broad geographical belt ran from the New England and Mid-Atlantic states through Pennsylvania, Ohio, and Indiana to Illinois. This area contained the dominant centers of population, the major sources of financing, and many of the outlets to foreign markets.

For the most part, early economic activity in the country was wealth-creating in nature, stemming from agriculture, mining, and manufacturing. Trade activities served local and area markets and were limited in scope. Overseas trade centered on shipment of raw materials to the more developed countries in Europe, where processing of these materials occurred.

The South was largely agrarian in nature, and many of the products grown in the South were sent to the North and East and overseas to be processed and finished. However, with the passage of time, small manufacturing establishments developed in the South. Initially, rivers were the primary means of transporting goods and people. As the rail system developed prior to the Civil War, it provided an impetus to the regional industrialization efforts.

The Civil War shattered most of the manufacturing capability of the South, and redevelopment of the capability was inhibited during the Reconstruction period which followed the war. Thereafter, a number of developments occurred which stimulated the revitalization of the industry base.

An era of development related to the resources of the South began. The textile industry was strongly reestablished, based on cotton production in the area. Food processing and timber usage increased. Due to a happy combination of area resources (iron ore, limestone, water, and coal), the basic iron industry developed in the Birmingham area, and steel was first produced in 1899. The discovery of oil in east Texas, by the bringing in of the Lucas well in the Spindletop area in 1901, heralded the development in the region of an entire new industry which was to greatly accelerate the development of the states of Texas, Oklahoma, and Louisiana.

The industrial growth of the region was facilitated by the extension and more complete development of the railroad system. This made possible the extensive movement of goods and people.

Accelerated technological change in the 20th century -- electricity, the automobile, and improved communications were three dynamic change elements in this period -- created a new life style in the region, as well as in all areas of the United States.

During the first half of the 20th century, a considerable exodus of northeastern textile firms to the South occurred. This industry was encountering difficulties with wage increases, profit reductions, obsolescent plants and foreign competition. This tide of plant locations and relocations firmly established textiles as a leading industry in a number of southern states.

Industrial growth all over the country suffered during the depression of the 1930's. However, the industrial demands of World War II further stimulated manufacturing growth in the South. The transportation equipment industry developed rapidly, first devoted to aircraft and other wartime products, but later to concentrate more on peacetime needs.

The South shared in the general growth of the U. S. economy after World War II. A major factor in this growth has been the easing of discriminatory freight rates to put the South on a par with the East and North.

Growth since World War II has been exhibited not only in the traditional industries of the region (textiles, apparel, metalworking, petroleum, food processing, lumber, etc.), but in some new and emerging industries as well. Examples of these are the modular unit and mobile home industry, tufted carpet, automated shipbuilding, the space program, atomic energy, and electronics.

RELATIVE PROGRESS IN THE SOUTH

In an absolute sense, nearly every available economic index indicates that over the years much growth has occurred in the 16-state South. However, it should be recognized that regional progress is a relative thing, not only historically within the region, but also compared with similar progress in other geographical areas. Both of these aspects must be considered in an evaluation of a region's economy and rate of development.

This section will compare various indices for the 16-state southern region with U. S. averages.

Population

Table 1 shows the population of the South in the 1970 census, as well as the regional and U. S. totals. In 1970, there were more than 66 million people in the 16 states, or 32.57% of the U. S. population. More than half of these people were located in the six most populous states -- Texas, Florida, North Carolina, Missouri, Virginia, and Georgia.

Table 1

1970 POPULATION OF THE 16 SOUTHERN STATES AND THE U. S.

United States	203,184,772	100.00%
16-State Total	66,171,132	32.57
Alabama	3,444,165	1.70
Arkansas	1,923,295	.95
Florida	6,789,443	3.34
Georgia	4,589,575	2.26
Kentucky	3,219,311	1.58
Louisiana	3,643,180	1.79
Maryland	3,922,399	1.93
Mississippi	2,216,912	1.09
Missouri	4,677,399	2.30
North Carolina	5,082,059	2.50
Oklahoma	2,559,253	1.26
South Carolina	2,590,516	1.27
Tennessee	3,924,164	1.93
Texas	11,196,730	5.51
Virginia	4,648,494	2.29
West Virginia	1,744,237	.86

Source: U. S. Bureau of the Census, Census of Population, 1970.

A comparison of the population changes in the 16 states, based on the latest two decennial censuses, is shown in Table 2. In the decade 1960 to 1970, Florida and Texas showed the largest numerical increase in population, followed by Maryland, Virginia, and Georgia. West Virginia was the only state to show a net loss in population during this period. The region showed an increase in population in this 10-year period of more than 8 million people (13.9%).

Table 2

POPULATION AND ESTIMATED NET MIGRATION FOR THE 16 STATES, 1960-1970

	1970 (Census)	1960 (Census)	Change 1960-70 Number	Change 1960-70 Percent 1/	Estimated Net Migration Number	Estimated Net Migration Percent 1/
Alabama	3,444,165	3,266,740	+ 177,425	+ 5.4	- 233,000	- 7.1
Arkansas	1,923,295	1,786,272	+ 137,023	+ 7.7	- 71,000	- 4.0
Florida	6,789,443	4,951,560	+1,837,883	+37.1	+1,326,000	+26.8
Georgia	4,589,575	3,943,116	+ 646,459	+16.4	+ 51,000	+ 1.3
Kentucky	3,219,311	3,038,156	+ 181,155	+ 6.0	- 153,000	- 5.0
Louisiana	3,643,180	3,257,022	+ 386,158	+11.9	- 130,000	- 4.0
Maryland	3,922,399	3,100,689	+ 821,710	+26.5	+ 385,000	+12.4
Mississippi	2,216,912	2,178,141	+ 38,771	+ 1.8	- 267,000	-12.3
Missouri	4,677,399	4,319,813	+ 357,586	+ 8.3	+ 2,000	*
North Carolina	5,082,059	4,556,155	+ 525,904	+11.5	- 94,000	- 2.1
Oklahoma	2,559,253	2,328,284	+ 230,969	+ 9.9	+ 13,000	+ 0.6
South Carolina	2,590,516	2,382,594	+ 207,922	+ 8.7	- 149,000	- 6.3
Tennessee	3,924,164	3,567,089	+ 357,075	+10.0	- 45,000	- 1.3
Texas	11,196,730	9,579,677	+1,617,053	+16.9	+ 146,000	+ 1.5
Virginia	4,648,494	3,966,949	+ 681,545	+17.2	+ 141,000	+ 3.6
West Virginia	1,744,237	1,860,421	- 116,184	- 6.2	- 265,000	-14.2
16-State Total	66,171,132	58,082,678	+8,088,454	+13.9	+ 657,000	+ 1.1
					7 States	+2,064,000
					9 States	-1,407,000

1/ Based on population in 1960.

* Less than .05%.

Source: U. S. Bureau of the Census, Current Population Reports, Series P-25, No. 460.

Traditionally in this century, most states in the region have shown a net out-migration of people. This was reversed in the last decade to the extent that there was a net in-migration of 657,000, or 1.1% of the 1960 total population. Seven of the 16 states had a net in-migration; nine, a net out-migration. It is noteworthy that one state, Florida, had a net gain of almost as many people in the 1960's as the total net loss of all nine of the states which experienced out-migration.

This reversal of net out-migration experienced during the earlier decades of this century is a significant trend. It would appear that for the first time in this century, more jobs were created in the region than the natural increase of population could fill.

Total and Per Capita Personal Income

Table 3 shows total and per capita personal income for 16 states, the region as a whole, and the U. S. for the year 1970.

Table 3

INCOME IN THE 16 STATES AND THE U. S., 1970

	Total Personal Income		Per Capita Personal Income	
	Millions of Dollars	Percent of U. S.	Dollars	Percent of U. S.
United States	798,949	100.0	3,921	100.0
16-State Total	222,687	27.9	3,355	85.6
Alabama	9,832	1.2	2,853	72.8
Arkansas	5,376	.7	2,791	71.2
Florida	24,938	3.1	3,642	92.9
Georgia	15,345	1.9	3,332	85.0
Kentucky	9,901	1.2	3,073	78.4
Louisiana	11,130	1.4	3,049	77.7
Maryland	16,789	2.1	4,255	108.5
Mississippi	5,706	.7	2,575	65.7
Missouri	17,350	2.2	3,704	94.5
North Carolina	16,331	2.0	3,207	81.8
Oklahoma	8,488	1.1	3,312	84.5
South Carolina	7,616	1.0	2,936	74.9
Tennessee	12,128	1.5	3,085	78.7
Texas	39,671	5.0	3,531	90.0
Virginia	16,827	2.1	3,607	92.0
West Virginia	5,259	.7	3,021	77.0

Source: U. S. Department of Commerce, Survey of Current Business, August 1971.

This table indicates the 16 states had total personal income of $222 billion, or 27.9% of the U. S. total. It is obvious that the South is a low-income region, since it has 32.57% of the U. S. population but only 27.9% of the income.

This "have-not" characteristic is further demonstrated in the per capita income for each state. In 1970, only Maryland of the 16 states had a greater share of total personal income than its share of population and, hence, had higher per capita income than the U. S. average.

Historically the regional per capita income has lagged, and continues to lag, the U. S. per capita income figures. Chart 1 shows this graphically. The upper curve and trend line depict the U. S. per capita figures from 1929 to 1970. The lower curve represents the per capita average for the 16-state region. All current dollar figures have been converted to 1967 dollars.

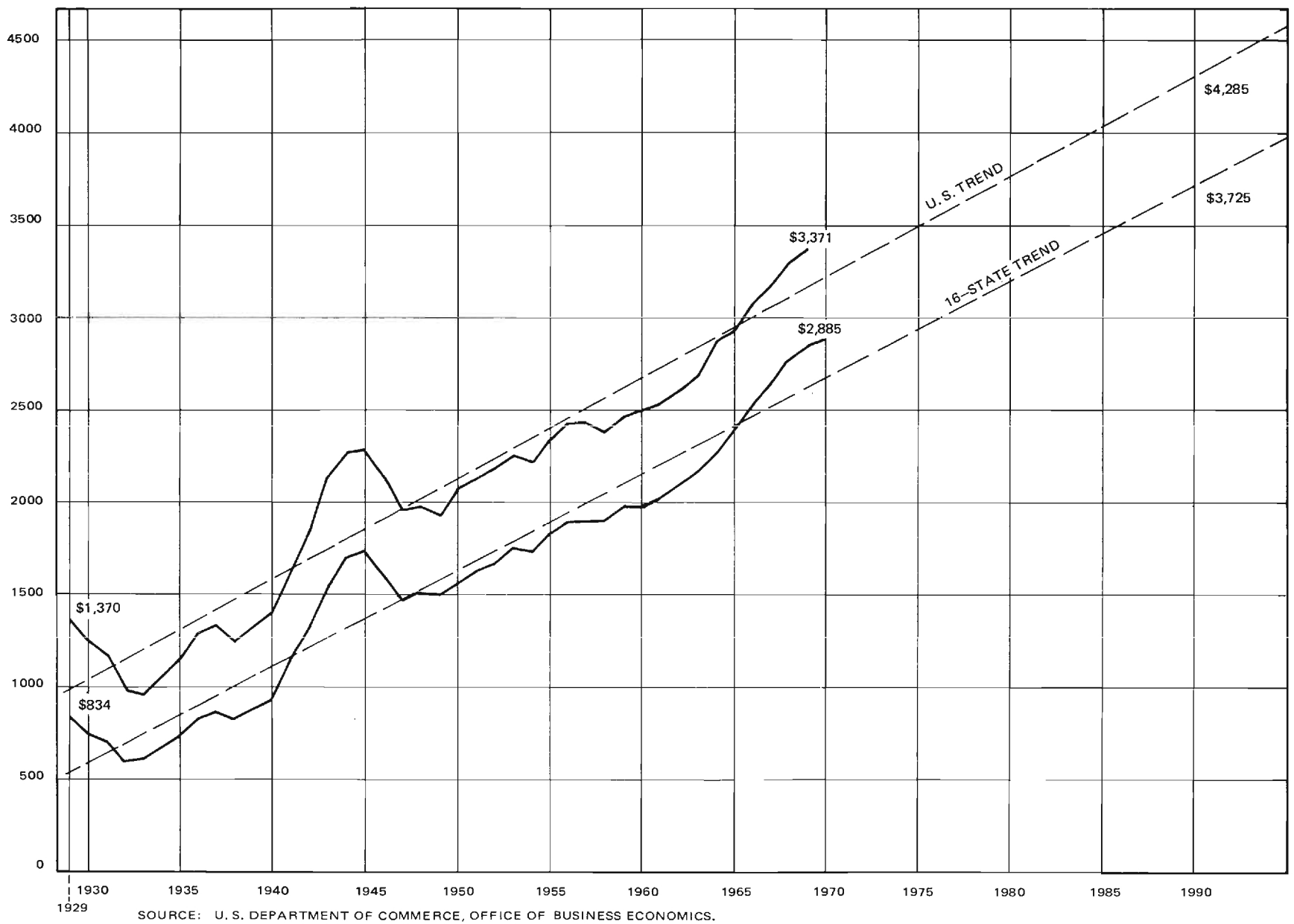
The gap between the U. S. and regional figures is a symptom of the basic problem of the region -- the South is dominated by low-paying economic activities. There are, of course, specific exceptions to this statement, both in industrial sectors and in geographic areas, but for the overall region the statement is true.

The gap between the U. S. and the regional per capita figures in 1929 was $536, while in 1970 it was $486. The gap was $50 less in 1970 than in 1929, and had decreased 9% in the 41 years. In dollars, per capita income had increased dramatically in the region in the period shown. However, relative to the U. S. increases, little gap closing had occurred.

The region as a whole appears to have a cost of living which is somewhat below the U. S. average, which tends to reduce the per capita income gap at least in terms of buying power. However, this cost differential does not close the gap entirely, and the 16-state area is essentially a "have-not" region compared to the nation as a whole.

It also should be noted that the South's per capita income figures are included in the U. S. per capita income figures and tend to depress the U. S. figures (by the impact of almost one-third of the U. S. population in the South). The gap in per capita income between the South and the rest of the country exclusive of the South is actually greater than that shown in Chart 1 and is on the order of $725.

CHART 1
TRENDS IN PER CAPITA INCOME, THE 16-STATE SOUTH, 1929–1970 WITH PROJECTIONS TO 1990



SOURCE: U. S. DEPARTMENT OF COMMERCE, OFFICE OF BUSINESS ECONOMICS.

Employment Trends

When one looks at individual employment sectors in the regional economy, some revealing trends are apparent.

Chart 2 depicts the regional employment trends in the period 1940 to 1970 (except for agricultural employment, for which comparable figures were available from 1950 on).

This chart shows a dynamic growth for manufacturing, trade, government, and service industry employment in the 16-state South. The trend lines are fairly consistently upward except for the aberrations caused by World War II in the early forties.

Transportation and public utilities, construction, and finance, insurance, and real estate employment lines show a generally ascending picture as well, although at a much slower rate than the above-mentioned categories.

The most dramatic feature of this chart is the precipitate and unrelieved decline in farm (agriculture) employment. The trends to larger farms, automation, improved crops and procedures, and the like have all contributed to this development. The net result in the region has been the release of more than 3 million farm workers to be absorbed by other employment sectors. The flow of these people from the rural areas to seek job opportunities in the urban centers has compounded the problems of the cities.

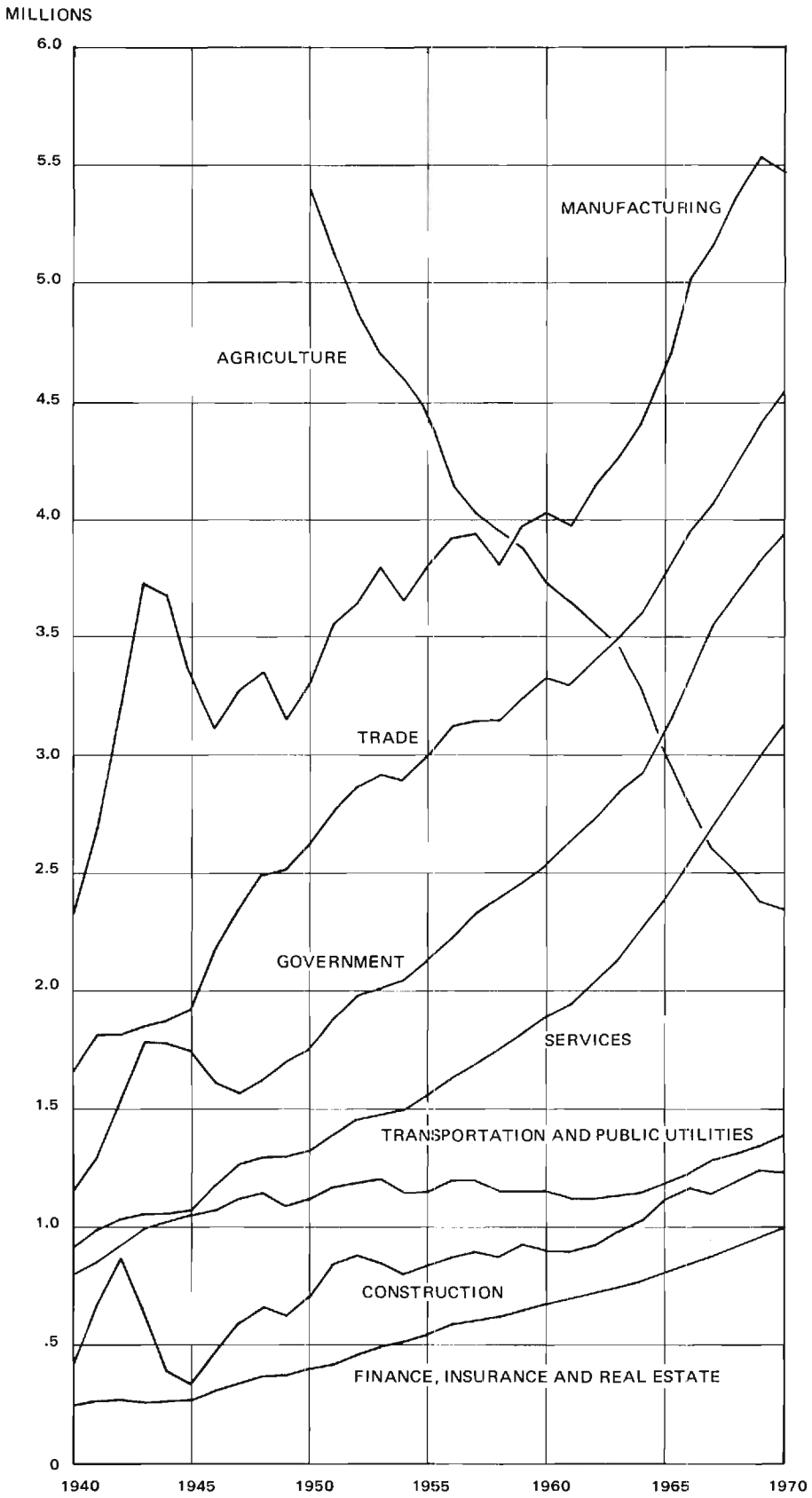
Chart 2 also demonstrates the recent transition of the South from a region dominated by agricultural employment to a region whose largest employment sector is now manufacturing. This transition occurred about 1958 for the region as a whole. However, it occurred at varying times in the individual states of the region. The crossover of agricultural and manufacturing employment occurred in Georgia, for example, in 1952.

Manufacturing Payrolls

Manufacturing is the largest single employer in the region, representing about 26% of the total nonagricultural employment. Hence, the manufacturing pay scales prevalent in the area have a considerable influence on the overall income picture.

CHART 2

EMPLOYMENT TRENDS IN THE 16–STATE SOUTH BY SELECTED MAJOR INDUSTRIES, 1940–1970



SOURCES: U. S. DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS;
U. S. DEPARTMENT OF AGRICULTURE.

The average weekly earnings of production workers on manufacturing payrolls in 1970 are shown in Table 4. Only three of the 16 states -- Louisiana, Maryland, and West Virginia -- had weekly earnings which surpassed the U. S. average of $133.73. Most of the other states were significantly below the U. S. weekly earnings for production workers.

Table 4

AVERAGE WEEKLY EARNINGS OF PRODUCTION WORKERS ON MANUFACTURING PAYROLLS IN THE 16 STATES AND THE U. S., 1970

	Weekly Earnings	Rank	Manufacturing as Percent of Total Nonagricultural Employment	Rank
United States	$133.73	-	27.5	-
Alabama	114.97	9	32.2	4
Arkansas	98.70	14	31.3	6
Florida	118.78	8	15.0	16
Georgia	106.27	12	29.9	7
Kentucky	128.84	6	27.5	8
Louisiana	137.10	1	16.8	15
Maryland	136.34	2	20.8	12
Mississippi	97.69	15	31.5	5
Missouri	133.23	4	26.8	9
North Carolina	97.17	16	40.0	2
Oklahoma	126.07	7	17.5	14
South Carolina	100.90	13	40.5	1
Tennessee	108.93	11	35.1	3
Texas	129.43	5	20.4	13
Virginia	109.20	10	24.9	10
West Virginia	136.12	3	24.6	11
16-State Average	N/A	-	26.0	-

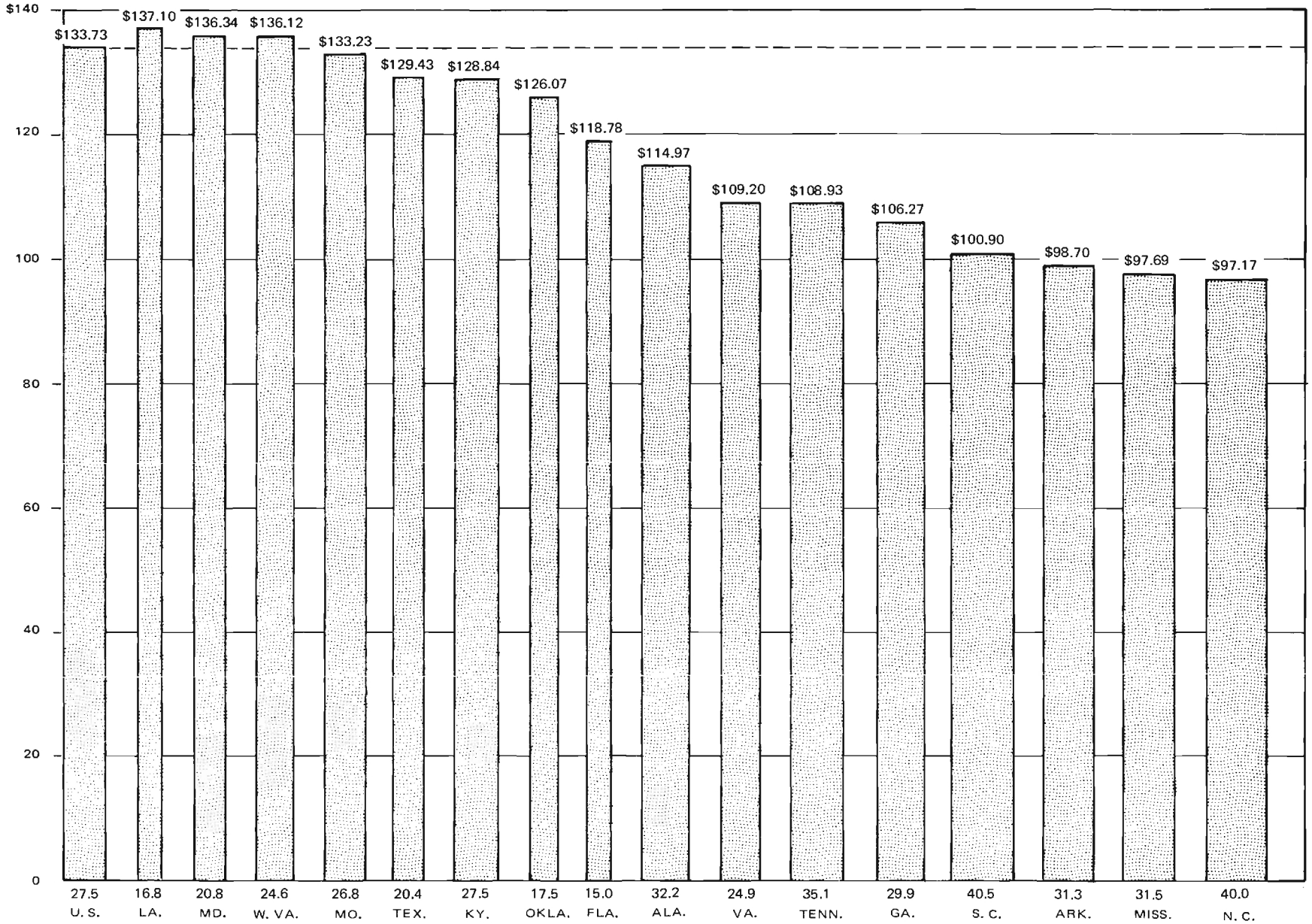
Source: U. S. Bureau of Labor Statistics, Employment and Earnings, May 1971.

Chart 3 depicts graphically the payroll information shown in Table 4. The dominance of low-paying industry in certain areas of the South becomes more obvious when one compares the six lowest states in weekly earnings with the proportion of the labor force involved in manufacturing.

State	Weekly Earnings	% of Labor Force in Manufacturing	Rank in Region in Industrialization
Tennessee	$108.93 (11)	35.1	3
Georgia	106.27 (12)	29.9	7
South Carolina	100.90 (13)	40.5	1
Arkansas	98.70 (14)	31.3	6
Mississippi	97.69 (15)	31.5	5
North Carolina	97.17 (16)	40.0	2

CHART 3

AVERAGE WEEKLY EARNINGS OF PRODUCTION WORKERS ON MANUFACTURING PAYROLLS, U.S. AND 16 STATES, 1970



These statistics clearly indicate that the states in the region which are most heavily industrialized in terms of manufacturing employment are also those which have the lowest pay structure.

There appears to be little doubt that the low-wage environment found in industrial circles in these states (and to a lesser degree in the region as a whole) is an attractive feature to industries seeking new plant locations. Such a wage structure, however, tends to attract those companies which are primarily concerned with wage levels and tends to perpetuate the low-wage economy with an end result of a solidification in a labor-intensive, low-wage structure.

Referring again to Table 4, in the U. S. manufacturing employment was 27.5% of all nonagricultural employment in 1970, while in the region manufacturing employment was 26% of nonagricultural employment. Hence, the South is very close to being as heavily industrialized as the nation, at least in terms of employment percentages. The table shows that South Carolina and North Carolina have the largest proportion of manufacturing employment and that Florida, Louisiana, and Oklahoma are the least industrialized in the region.

Value Added by Manufacture

Another frequently used measure of industrialization in an area is the value added by manufacture. Table 5 compares the South with the U. S. totals for value added by manufacture for the year 1967. It indicates that the regional share of the total United States value added was 24.5%. This figure is lower than the proportionate population and manufacturing employment figures for the region. Regionally, the value added is low compared to other indices.

However, over the years the regional proportion of the U. S. value added by manufacture has tended to increase. This is shown in Table 6 for a period of 38 years (1929 to 1967). During this period the region's value added went from 16.3% to 24.5% of the U. S. figures.

These same figures are depicted graphically in Chart 4. Here the narrowing of the gap is shown by the slight convergence of the two lines for the U. S. and the South.

Table 5

VALUE ADDED BY MANUFACTURE IN THE 16 STATES AND THE U. S., 1967

	Millions of Dollars	Percent of U. S.
United States	261,983.8	100.0
16-State Total	64,251.1	24.5
Alabama	3,525.5	1.4
Arkansas	1,557.7	.6
Florida	3,682.7	1.4
Georgia	4,683.6	1.8
Kentucky	3,636.0	1.4
Louisiana	2,790.3	1.1
Maryland	3,781.3	1.4
Mississippi	1,635.3	.6
Missouri	5,895.0	2.3
North Carolina	6,606.5	2.5
Oklahoma	1,346.2	.5
South Carolina	3,030.3	1.2
Tennessee	4,921.1	1.9
Texas	10,922.4	4.2
Virginia	4,067.7	1.6
West Virginia	2,169.5	.8

Source: U. S. Bureau of the Census, Census of Manufactures, 1967.

Table 6

VALUE ADDED BY MANUFACTURE: U. S. AND 16 STATES

	U. S. ($000,000)	16 States ($000,000)	16 States as Percent of U. S.
1967	261,983.8	64,251.1	24.5
1963	192,082.9	44,694.3	23.3
1958	141,540.6	31,168.4	22.0
1954	117,032.3	23,297.6	19.9
1947	74,290.5	14,195.2	19.1
1939	24,487.3	4,339.7	17.7
1929	30,591.4	4,988.6	16.3

Sources: U. S. Bureau of the Census, Census of Manufactures and Annual Survey of Manufactures.

Major Manufacturing Industries in the Southern States

When the three or four most important manufacturing industries, in terms of employment, from the individual states of the South are listed, as shown in Table 7, a considerable diversity can be seen. Three states have primary metals

CHART 4
VALUE ADDED BY MANUFACTURE
U. S. AND 16–STATE SOUTH

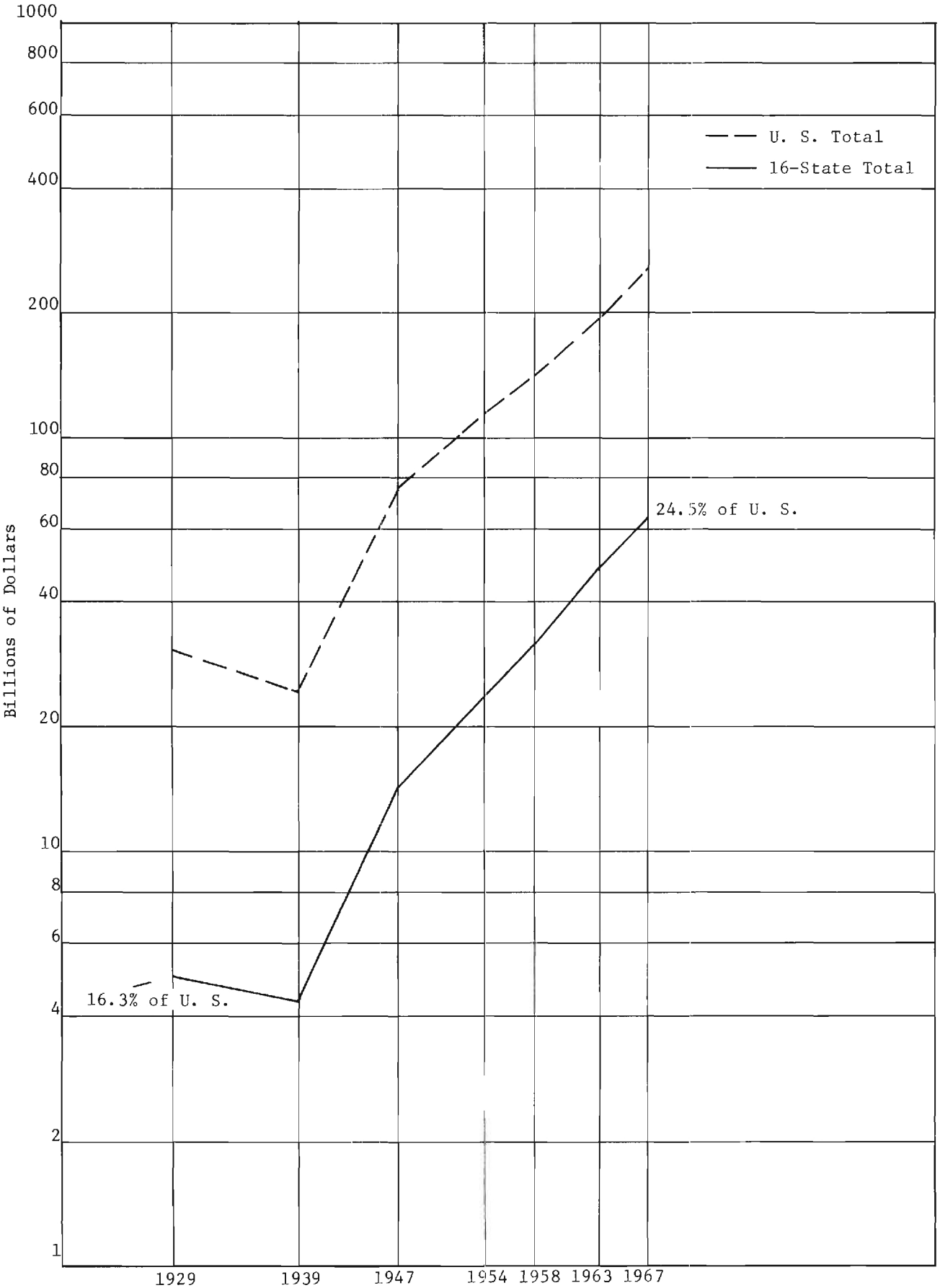


Table 7

MAJOR MANUFACTURING INDUSTRIES IN THE 16 STATES (EMPLOYMENT*)

	1	2	3
Alabama	Primary metals	Apparel	Textiles
Arkansas	Food	Lumber	Apparel
Florida	Food	Transportation equipment	Electrical equipment
Georgia	Textiles	Apparel	Food Transportation equipment
Kentucky	Electrical equipment	Apparel	Food
Louisiana	Food	Chemicals	Transportation equipment Lumber
Maryland	Primary metals	Food	Transportation equipment Apparel
Mississippi	Apparel	Lumber	Food
Missouri	Transportation equipment	Food	Electrical equipment
North Carolina	Textiles	Apparel	Furniture
Oklahoma	Machinery	Food	Fabricated metal
South Carolina	Textiles	Apparel	Chemicals
Tennessee	Apparel	Chemicals	Food
Texas	Transportation equipment	Food	Machinery
Virginia	Chemicals	Textiles	Apparel Food
West Virginia	Primary metals	Chemicals	Stone, clay, glass

* 1968 Bureau of Labor Statistics data.

---

as their most important industry, three have textiles in this category, and three have food. Two states show transportation equipment as their leading industries, and two others show apparel. Electrical equipment, machinery, and chemicals are leading industries in the remaining three states.

Of all the industries mentioned in Table 7, the most prevalent are food (12 states) and apparel (10 states). These are basically labor-intensive, low-wage industries, as are textiles and lumber, two other frequently found industries in the region. These four industries are area-resource-oriented and are responsible for much of the industrialization of the region to date.

The Nature of Economic Activities in the South

Economic activities can be categorized in various ways. To show a rather startling transition which is occurring in the South, these economic activities will be arbitrarily divided into two types -- wealth-creating and wealth-distributing.

Wealth-creating activities are those which add to a product in the course of processing. Agriculture, mineral production, and manufacturing are usually categorized as wealth-producing activities. In each case the products of these activities have value added to them as they are grown, processed, or manufactured.

Wealth-circulating activities are those which transfer money from one location to another. These include trade, government, service industries, finance, and so on. The characteristic of such transfer is that no additional wealth is created in the process.

Table 8 indicates what has happened over the period 1950 to 1970 to these two basic activities. Wealth-creating activities have traditionally dominated the southern economy since the first settlements in the area. Wealth-circulating activities have played a very secondary role until recent years. The transition which has occurred since 1950 in the relative importance of these two types of activities is remarkable. In 1950 almost 80% of the jobs in the economy were wealth-creating (agriculture, mining, or manufacturing). By 1970 less than 40% of the labor force jobs were in this category. Numerically, wealth-creating jobs in the South have remained nearly constant. The big increase has been in the wealth-circulating category, where the number of jobs has increased from about 2.5 million to almost 13 million in a 20-year time interval.

Table 8

ECONOMIC ACTIVITIES

	Wealth Creating		Wealth Circulating	
	No. of Jobs	Percent	No. of Jobs	Percent
1950	9,162,900	78.2	2,547,900	21.8
1960	8,122,000	54.8	6,776,000	45.2
1970	8,189,200	38.7	12,846,800	61.3

This transition to a predominantly wealth-circulating economy has enormous implications for the future of the economy and the people of the region.

The major depressant to the wealth-creating employment in the region has been the decline in agricultural employment. There are indications that this downward spiral is likely to bottom out in this decade. In any event there are not enough farm workers left to release people from farm jobs in the same quantities as in the past few decades. Therefore, it can be expected that by the year 1980 wealth-creating activities will show an increase overall because manufacturing employment is still growing dynamically in most areas of the South.

All elements of the wealth-circulating activities can be expected to grow during this decade in the region.

A reasonably conservative forecast for the region, if economic growth continues as it has in the past, would place wealth-producing employment at about 9 million jobs by 1980, with wealth-circulating jobs in the order of 19 million. In other words, wealth-circulating employment will be about 68% of the region's total, compared to 32% for wealth-creating jobs. This would mean a net increase of 4.6 million jobs in the South, from 23.4 million in 1970 to 28 million in 1980.

The Impact of Young People on the Job Market in the 1970's

Will 4.6 million new jobs in this decade be enough to keep the South economically strong?

The answer to that question lies hidden in the census figures of 1970. The major impact on the labor force of this decade will come from the group of people who in the 1970 census were from 10 to 19 years of age. This is the group that will fall in the 20 to 29 age bracket by the end of the decade. Traditionally, two-thirds of the 10 to 19 year olds have entered the labor force and sought work in the decade following their being counted in the census.

Table 9 gives a breakdown by state and the region of the numbers of male and female young people in the 10 to 19 age bracket in 1970. It indicates that there were 13,240,309 such individuals, and this was about 20% of the total population of the region. If past trends continue and two-thirds of these individuals seek employment in the 1970's, 8.9 million people from this age bracket will be looking for work.

Table 9

POPULATION IN AGE GROUP 10-19 (INCLUSIVE), 16 STATES, 1970

	Percent of Total Population	Total	Male	Female
Alabama	20.7	713,669	360,848	352,821
Arkansas	19.7	378,606	191,592	187,014
Florida	18.0	1,220,914	619,752	601,162
Georgia	20.1	923,392	468,053	455,339
Kentucky	20.3	652,239	337,442	314,797
Louisiana	21.6	786,138	399,760	386,378
Maryland	19.5	766,061	386,474	379,587
Mississippi	21.9	485,398	246,877	238,521
Missouri	19.3	900,407	457,399	443,008
North Carolina	20.5	1,040,245	534,241	506,004
Oklahoma	19.4	495,265	252,335	242,930
South Carolina	21.8	563,584	290,515	273,069
Tennessee	19.7	774,051	394,137	379,914
Texas	20.3	2,275,598	1,156,010	1,119,588
Virginia	19.7	915,275	466,238	449,037
West Virginia	20.0	349,467	177,340	172,127
16-State Total	20.0	13,240,309	6,739,013	6,501,296

Source: U. S. Bureau of the Census, Census of Population, 1970, General Population Characteristics, Advance Report.

By contrast we can expect only about 1.6 million to 1.9 million older people to leave the work force because of age and retirement.

The difference, then, between the young people coming into the labor force and the older people dropping out is on the order of 7 million people. This figure indicates the magnitude of new jobs needed in the 16-state region in this decade.

The answer appears to be that the 4.6 million new jobs which trends to date indicate will be developed in the region in the 1970's will not begin to satisfy the 7 million job needs of the region. The alternatives are also clear -- the South must develop new jobs at a faster rate than heretofore or face the spectre of severe unemployment, increased welfare rolls, and mass out-migration of people to other parts of the country where employment opportunities exist.

Recapitulation of Major Economic Trends in the South

There are many trends and crosscurrents at work in the South which affect the economy of parts of the region and the region as a whole. Five of the most significant trends which have been identified previously are repeated below. They represent the essence of the situation in which the South finds itself.

1. The 16-state South is growing in population, income, and most economic indicators, but it lags the U. S. average figures for these indicators and will continue to do so in the foreseeable future.

2. The economy of the region is dominated by low-paying economic activities, and those few states which do not fall into this pattern cannot compensate for the remaining states which are under this domination.

3. The region has recently (1958) passed from an agriculturally dominated economy (in terms of employment and income) to one where the major employer and income-producer is manufacturing. The recognition of this transition in the South has been slow on the part of its leaders.

4. In the last decade, the South has passed from a predominantly wealth-creating economy to a wealth-circulating economy, and this will cause significant changes in the future.

5. The South needs to develop 7 million additional jobs in this decade if it is to meet the demand for jobs occasioned by a rapidly expanding work force. If present trends continue, this target of new jobs will not be met.

THE PARAMOUNT NEED FOR INNOVATIVE APPROACHES TO FURTHER REGIONAL DEVELOPMENT

Regional development is a complex process involving many human activities. This report has concerned itself primarily with the regional economic trends in population, employment, income, value added by manufacture, and the migration of people. There are many other areas of concern in the balanced development of a region, such as adequate housing, health care, transportation systems, development financing, governmental streamlining, and the quality of life.

To deal with these concerns on a local and area basis is a relatively simple matter where the leadership and the resources and the will to perform exist. To do so on a statewide basis is more difficult, for a great deal of coordination and cooperative effort is needed. The multi-state approaches to date have been massive but only moderately successful, although this is perhaps all that could be expected in the relatively short time period that these approaches have existed.

What the South really needs, if it is to catch up with the U. S. averages in the foreseeable future, is innovative solutions to the problems of the area. The existing solutions are inadequate, ineptly applied, or of insufficient magnitude to have the desired impact. New thinking, new approaches, and action programs are essential if the needs of this decade, much less those that follow, are to be met.

What are some approaches that should be considered by the leadership of the South? Here are some possibilities.

A Regional Development Organization Is Needed

In the 16-state South, there are a number of multi-state development organizations; the Appalachian Regional Commission, the Coastal Plains Regional Commission, and the Ozark Regional Commission are three examples. For the most part, these cover depressed portions of various states in the South, and in some cases complete states. These commissions conduct or have others conduct various studies in many different activity fields -- transportation, housing, industrial development, agricultural development, marine resources, and others.

Studies of their entire regions have been conducted by these commissions. There appears to be a trend, however, toward studies on the state level rather

than studies which cover the total commission area. This results to some extent from the funding of these commissions, which is part federal and part state. The states to date seem to have been reluctant for their monies to be invested in area-wide studies of potential benefit to the region. When regional studies are made, they are frequently given to consultants from outside the region, even though organizations well-qualified to make these studies exist within the region. A partial cause is an inability or unwillingness to face up to the political problem of giving a contract or grant to one unit in a multi-state area which may contain several capable organizations.

One solution to this problem of "provincialism" may come from the establishment of a new regional organization such as the recently announced Southern Growth Policies Board, in which nine southern states have agreed to participate.

There is an obvious and continuing need to look at the problems of the region as a whole, to conduct research on the problems, and to seek and recommend solutions to the various state governments for implementation. Up to now, no specific organization has felt a responsibility for a continuing regional analysis except in specialized areas (the Southern Regional Education Board and the Southern Interstate Nuclear Board are two examples). The type of organization to carry out such a continuing research program would not be skeletal in nature. Such an effort requires a capable and qualified staff of knowledgeable but pragmatic researchers, capable of applying the universe of analytical tools to the practical resolution of problems which frequently have political overtones.

A Concentrated Effort to Attract High-Wage Activities Is Essential

If one accepts the premise that the improvement of the per capita income in the South to parity with the national average is a prime objective, then the corollary must be accepted as well -- this can best be done by a conscious and coordinated effort to attract highly sophisticated, and hence, higher wage, economic activities to the area. Such activities include research and development organizations, laboratories, national and regional headquarters operations, and sophisticated industrial operations.

It is obvious that the proportion of higher income-producing activities in the region must be increased significantly if the per capita income position of the South relative to the U. S. is to improve.

A plan to attract sophisticated economic activities must be devised and implemented. This is no easy matter, for it implies a willingness on the part of the development agencies in the region to assign a first priority to working to attract high-wage industries to the area, without, of course, ignoring other opportunities. The difference between this approach and present activities lies mainly in the philosophy of operation and the allocation of effort. Most development agencies respond to inquiries almost entirely rather than consciously directing their energies to certain types of desirable economic activity.

High-Technology Industries Suited to the South Must Be Identified

Unless a deliberate plan is developed to attract larger numbers of high-paying jobs to the South, then the traditional pattern of growth through low-paying industries will continue.

What do we mean by higher-paying economic activities? In agriculture it may mean larger farms, more automation, greater productivity. In commerce it may mean more regional and national headquarters operations to increase the cadre of highly paid executives in the region. In tourism it may mean the complete development of all tourist attractions. In mining it may mean a more extensive development of mineral resources. In manufacturing we are talking about increasing primary metals production, machinery manufacturing, electronics and communications equipment production, appliances of all kinds, paper mills, transportation equipment, chemicals and petrochemicals, and all other industrial activities which provide high-paying jobs for people.

It is easy to hypothesize and enumerate such possibilities, but much more difficult to demonstrate that the region will provide a good environment for the further development of these types of industries. Considerable research and analysis are needed to identify the types of industries which will benefit from a southern location while contributing to increasing the per capita income. Many organizations exist within the region which have the capability of conducting these analyses, in an objective and factual manner, without being suspected of partiality.

Participation in the Emerging Industries of the Future Is Vital for the Region

It has been said that the development of new products is so rapid that half the products we will be using in our daily lives 10 years from now have not yet

been developed. If this statement is correct or even partially so, we are destined to see new industries of all sorts emerge in the next few years. Some will be product-oriented and some will be service-oriented. The South must develop a system of early identification of these industries and consciously seek them out in their incubation stages, and foster their development in the region.

A couple of examples should suffice. The metropolitan areas of the country are facing increasing problems in the orderly and rapid movement of people. It appears obvious that new systems of people movers are required and that this will be an industry of considerable size in the future. Why should not the South lead in the development, manufacture, and utilization of these new systems?

Weather control, if it develops as predicted, has the potential to become a massive economic activity. The technology to control the atmospheric environment is not yet developed, but there is a reasonably high possibility that continued breakthroughs in the technology will permit such control in the future. If developments are closely followed, this emerging industry of the future could be conceived, incubated, and emerge full blown in the region.

Support for the Expansion and Diversification of Existing Industry Is Needed

In a region which is nearly as industrialized as the nation as a whole, the health and well being of the existing manufacturing structure is extremely important. The expansion and diversification of existing industry in the region each year account for much of the industrial growth of the South. Indeed, with the decline of agriculture as an employer and the relative absence of mining in the region, manufacturing is the predominant wealth-creating activity. It obviously is important that manufacturing remain a viable economic activity in the region. To remain so, it must operate in a favorable environment.

Are we maintaining a favorable climate for manufacturing industry in the region? A listing of some negative factors which inhibit the growth and development of industry follows:

1. Increasingly restrictive practices with respect to industry are arising at the state and local level. Zoning and taxation are two areas where much attention is needed if the industrial climate is to be improved.

2. The overly emotional and unrealistic approach that many well-intentioned preservationists take in environmental matters poses a very real threat to the continued economic growth of the region. Frequently, these groups seem to oppose every job-creating opportunity, regardless of its merits. While recognizing that pollution must and will be curbed, the region cannot afford to abate its development efforts because of the continuing job generation needs which confront it.

3. The industrial development agencies of the region are not without fault. For the most part, they are promotional in nature and work hard at attracting industry to the region. However, once the ground has been broken for the new plant and the new jobs created have been added to the statistical counts, all too often the industrial development organization considers its job done and the new plant receives little, if any, further help.

It is, of course, not right to generalize, and no blanket indictment of industrial development organizations is intended. Most of them are performing their industry-attracting missions in an exemplary manner. However, although some development organizations continue to help existing industries, the vast majority are unable or unwilling to do so in a substantive way.

One definite need is a better industrial public information program which will continually make the public aware of the value of the manufacturing process to the region. If for no other reason, this should be done to counteract the charges made by irresponsible elements that industry is bad. Because such charges are sensational in nature, they are frequently played up by elements of the news media. The general public must be made aware of the benefits the economy of the region derives from its industrial sector.

The support of the people is needed to assist in the passage of legislation helpful to the full economic development of all the region's resources, not just the manufacturing segment of the economy. Most often this support can be made manifest through the legislative and elective processes at the state and local levels. An informed public can be expected to make the proper decisions relative to economic growth.

Acceleration of Development of Rural Industry Is Needed

Most studies of the rural-urban imbalance draw the conclusion that what is needed is the creation of rural employment opportunities which are competitive with those found in the urban environment. It is believed that the presence of

such job opportunities will retain people in the rural areas and communities and inhibit the migration of people to the cities.

If we talk about competitive job opportunities in the rural areas, we must talk about jobs which are as competitive in wages and salaries and advancement potentials as those found in the urban centers. To date, these have not materialized in sufficient numbers to stem the flow of people from the rural sector.

How can the rural environment be made more attractive to the higher-paying industries? Much thought and research need to be given to this problem. One possibility is incentives to industry at the local, state, or federal level. Here there are various possibilities -- low-cost financing, tax relief and concessions of various sorts, accelerated amortization, etc. Whatever form such incentives take, they must have one thing in common -- they must provide a company with a dollars and cents reason to select a rural location over an urban one.

The rural unemployed in the region represent a special sort of problem. For the most part, the rural unemployed are made up of the less skilled and less educated, with a large element (in the South) of the black minority. Hence, it is the hardest-to-employ sector of the work force. In the case of the rural unemployed, even minimum-wage, entry-level jobs are better than none at all.

One possibility with much potential for reducing rural unemployment is a better matching of existing job openings in an area with the existing unemployed labor force. This has been demonstrated in Georgia with startling results. Using a methodology developed by the Industrial Development Division of Georgia Tech, the Heart of Georgia Community Action Council was able to reduce the number of registered unemployed in a 12-county area by 15% in a four-month period. This resulted from a more effective system of matching job openings and unemployed people. This methodology has the potential of substantially reducing rural unemployment if replicated throughout the region.

Competitive Development Tools and Techniques Are Needed

There is a great variety in the industrial development tools, techniques, and incentives utilized by the individual states in the South. As a strategy, it behooves the region to utilize every possible means to enhance its competitive position in attracting economic activities to the area. It also must seek every means to encourage the development of local enterprise and initiative.

There are a number of considerations here, but foremost among them are the development of additional sources of financing which will be attractive to new ventures and the elimination of tax and rate inequities which may exist in various states and locations. Tools must be focused on the development of more scientific and technologically oriented industry.

Generally, all changes which might make the South more attractive to outside industry, both domestic and foreign, should be considered on their merits, and, where justified, these changes should be implemented. These changes are most practically done at a state and local level.

An Environmental-Developmental Balance Must Be Achieved

No one in his right mind argues against the abatement of present pollution in our environment or the curbing of pollution in new enterprises of any sort. Most states in the region now have laws on the books which insure that new developments will meet certain standards of operation and pollution control. Most existing activities which contribute to pollution are seeking to ameliorate or eliminate these contributions. However, the abuses ignored for centuries cannot be overcome in a day. A way must be found to assist communities to build the necessary pollution abatement facilities. As a practical matter, industry must be given time to correct pollution situations without endangering corporate viability.

There is no question that the rash of environmental legislation and restrictions either on the books or under consideration has an inhibiting effect on the operations and expansions of industry in the South. Specific examples abound. That this should have occurred in the most critical period of our history, when employment generation is desperately needed, is coincidental and unfortunate.

The overwhelming and critical economic need for job generation occasioned by the large segment of young people about to enter the labor force is somewhat in opposition to the sociological need for environmental control. One of the most critical regional, state, and local governmental needs is an understanding that this dichotomy of thinking exists and that it must be resolved in some equitable way.

The insistent demands of various pressure groups do not contribute to the solution of this problem. Indeed, they serve only to widen the gap between

opposing motivations, and to solidify the positions of individuals and organizations, making the necessary rapprochement of thinking more difficult.

There is need for regional thinking on the overall approach necessary to achieve some sort of balance between environmental forces and development forces. A regional policy is needed which can serve as a guideline in arbitrating decisions in such matters.

One possibility is the establishment of regional and state panels made up of equal numbers of respected proponents of both viewpoints. These panels would study this conflict objectively, consider all points of view, and verbalize statements of policy and guidance so necessary to achieve the objectives of both the environmental and developmental proponents if the South is to prosper while retaining its quality of life.

Improvement of Regional Education and Training Is Vital

The South has made tremendous progress in education in recent years, and the situation which exists with regard to average levels of education is undeniably much improved over former years. The advent of statewide systems of technical training institutes and junior and community colleges also has resulted in great advances in training and education.

However, if the South is to obtain a greater proportion of high-technology industry in the future, additional education and training efforts must be made. The needs of such industries for higher levels of trained and educated people is well recognized. The proper proportions of such skilled persons do not presently exist in the regional labor force except in specific and isolated locations.

The following possibilities should be considered:

1. Introduction of occupational orientation and training in all high schools in the region should be considered. The level of this training need not be intense, and the technical training institutes still would be needed for the more sophisticated training programs.

2. Programs of reading, writing, and arithmetic need to be provided in greater numbers for that proportion of the adult population which is basically uneducated. The individuals with this training would not fit into the high-technology picture, but they could replace other individuals who might, by superior education and training, move up to higher-paying jobs.

3. Intensified surveys of the present and future manpower needs of industry should be funded and carried out. This needs to be done in terms of numbers of workers needed and the skills required. These surveys currently are being done on a scattered basis in some areas, but plans should be made to conduct them on a methodical, comprehensive basis all over the region.

4. Cooperative educational programs at the high school and university level should be developed and expanded. This combination of education and employment provides the participant with a real insight into the importance of productive work and puts the participant at ease when he begins working full time in the industrial environment after his schooling is completed.

5. Preemployment courses for the unemployed should be expanded. These courses would be aimed at providing the previously unemployed with some understanding of industrial operations, what is expected from employees of such concerns, how to conduct themselves in job interviews, etc. Such courses have been pioneered in the region in recent years.

6. Establishment of state experimental education centers should be considered. A willingness to innovate in education and training might be fostered by establishing a center expressly for the purpose of demonstrating new techniques or equipment or developing new curricula which relate to preparing people for the new industries and jobs of the future.

All of the above activities would, of course, require an allocation of presently scarce resources. In addition, aside from the need for education and training with relevance to industrial development, there are many other demands and aspects of the economy which require education and training above and beyond that presently available. These, too, impose their sets of demands on the resources available to the region for education. Compounding the situation are the continually escalating numbers of students who are entitled to their education and training opportunities.

The allocation of resources is one of the most difficult decisions for education administrators. Industrial development is the greatest single wealth producer in the region, however, and to safeguard this economic essential, a large part of the region's educational and training resources must be directed toward this end.